

**Office of the Governor**

**Disagreement Between Duke Energy and the Solar Industry**

**November 28, 2017**

A centerpiece of the renewable energy reform, House Bill 589, was the demand by Duke Energy to stop paying mandatory PURPA rates to solar developers, and instead launch a competitive procurement process for solar-generated electricity. That concession means Duke will pay less for solar power.

And central to that concession by the solar industry was Duke's agreement to place in service all the solar projects that were in Duke's interconnection queue for as long as 18 months. For those projects, Duke agreed to pay the higher PURPA rates.

In HB 589, the solar industry also agreed to what it considered non-controversial language in the grandfathering section. That provision gave Duke authority to exclude solar projects that would cause the nameplate capacity of substation transformers to be exceeded.

Most substation nameplates list a high, medium and low capacity rating based on cooling equipment at the transformers. In the recent past when dealing with solar developers, Duke Energy Progress used the high capacity rating. DEP territory is where the majority of solar projects are located.

In mid-September, Duke notified solar developers that it would use only the low-capacity rating rather than the highest. The effect was to disqualify about at least 25% (approximately 350 megawatts) of solar electricity that had been in the queue.

Solar developers strongly believe this unilateral action by Duke is a breach of trust and a violation of the agreement they negotiated on renewables legislation for the past year. They say they never would have agreed to the bill had they foreseen that Duke would lower the nameplate capacity. The bill's primary sponsor, Rep. John Szoka, agrees with that perspective and says he will testify at any NC Utilities Commission hearing on the matter.

Solar developers say the sudden change will cost them millions of dollars for the costs of developments in the queue that will never be inter-connected.

For its part, Duke says it recalls no such commitment to interconnect all the solar projects in the queue. It says that it did not mislead or withhold information from solar legislative negotiators.

Duke Energy says that safety considerations led to its decision to use the lowest nameplate capacity for approving solar projects. The solar industry says that these claims are overstated and not supported by engineering or science.